

## Message Text

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ACTION EB-07

INFO OCT-01 AF-08 EUR-12 NEA-10 IO-13 ISO-00 AID-05 TRSE-00

CEA-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06

XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01

NSC-05 SS-15 STR-04 L-03 /114 W  
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R 180835Z OCT 76

FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC 5296

INFO AMEMBASSY LAGOS

AMEMBASSY LUSAKA

AMEMBASSY NAIROBI

USMISSION EC BRUSSELS

USMISSION GENEVA

USMISSION OECD PARIS

C O N F I D E N T I A L ALGIERS 2468

E.O. 11652: GDS

TAGS: EFIN, CIEC, OECD

SUBJECT: CIEC COMMISSION ON DEBT

REF: STATE 251805

1. AMBASSADOR AND ECONOMIC OFFICER SMITH MADE POINTS OUTLINED REFTEL TO MAHFOUD AOUI, SECRETARY GENERAL AT MINISTRY OF FINANCE (FINMIN IS OUT OF COUNTRY) AND TO FERHAT LOUNES, CHIEF OF DIVISION OF ECONOMIC AND SOCIAL AFFAIRS AT MINISTRY OF FOREIGN AFFAIRS ON OCTOBER 14 AND 16 RESPECTIVELY.

2. AOUI WAS WELL VERSED ON DEBT ISSUES BEING DISCUSSED IN CIEC. HE SAID THAT ALGERIA WAS NOT SUPPORTING G-19 FOR ITS OWN INTERESTS SINCE IT WAS NOT IN FINANCIAL DIFFICULTY AND WAS NOT PRESSING FOR MORATORIUM EVEN FOR COUNTRIES IN CRISIS SITUATION. "MORATORIUM" WAS THE  
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RECOURSE OF A BANKRUPT AND DID NOT FIT THE CASE OF THE

MSAS. HE SAID THAT IF FINANCIAL MARKETS COULD REFINANCE DEBT OF NON-OIL LDCS THAT WOULD BE ALL RIGHT BUT THEY MANIFESTLY COULD NOT. HE STRESSED THE "DELICACY" OF THE ALGERIAN POSITION IN THE G-19 AND THE G-77 AND SAID THAT ALGERIA HAD BEEN CRITICIZED FOR LUKEWARM SUPPORT IT IS GIVING TO DEMANDS OF 77 RE DEBT. ALGERIANS THEREFORE FELT NEED TO MAINTAIN GROUP SOLIDARITY DESPITE THEIR LESS THAN FULL AGREEMENT WITH G-19 PROPOSALS. HE ALSO HINTED AT DISAGREEMENTS WITHIN THE GOA, WHERE FINANCE MINISTRY IS APPARENTLY OPPOSED TO THE MORE UNCOMPROMISING SUPPORTERS OF G-19 STANCE. (IN A MEMORABLE ALLUSION TO THESE INTERNAL DISAGREEMENTS, HE SAID HIS MINISTRY TRIES TO IMPRESS ON THE HARD-LINERS THAT "FROM TIME TO TIME IT IS NECESSARY TO BE REASONABLE" BUT TASK OF PERSUADING THEM IS NOT EASY.)

3. THE POINT THAT DEBT RESCHEDULING WOULD CAUSE A DE FACTO REDISTRIBUTION OF AID AT THE EXPENSE OF AFRICAN COUNTRIES SEEMED TO HAVE SOME EFFECT ON AOUI, WHO, HOWEVER, REMAINED NONCOMMITTAL ON THE POINT. (WHILE ALGERIA AS AN OIL PRODUCER IS NOT DIRECTLY CONCERNED, THE ALGERIANS' ROLE AS LEADERS IN AFRICA SHOULD MAKE THEM AMENABLE TO ARGUMENTS THAT TEND TO SHOW THAT THE G-19 POSITION IS MORE FAVORABLE TO COUNTRIES OUTSIDE AFRICA THAN TO THE AFRICAN COUNTRIES. WE WOULD WELCOME ANY ELABORATION OF THIS POINT THAT MIGHT HELP US TO DEMONSTRATE THAT GENERALIZED, AUTOMATIC RESCHEDULING IS OF LITTLE USE TO THE AFRICANS OR IS IN FACT HARMFUL TO THEIR INTERESTS. WE WOULD PARTICULARLY LIKE TO KNOW IF, IN THE U.S. CASE, DEBT RESCHEDULING IN FACT REDUCES THE AVAILABILITY OF NEW AID FUNDS.)

4. THE ALGERIANS ARE DEFINITELY EAGER TO MAINTAIN THEIR POSITION AS A CREDITWORTHY COUNTRY, AND AOUI REVEALED CONSIDERABLE SYMPATHY FOR THE MEXICAN AND BRAZILIAN POSITIONS ON THE DEBT ISSUE. (AGAIN, ANY ELABORATION OF THE ARGUMENT THAT DEBT RESCHEDULING WOULD HARM LDC CREDITWORTHINESS GENERALLY WOULD BE APPRECIATED.)

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5. WE REPORTED USG VIEW THAT THE G-24 STATEMENT IN MANILA WAS A REASONABLE EXPOSITION OF THE DEBT PROBLEM, AND AOUI IMPLIED THAT AT LEAST HIS MINISTRY (WHICH, OF COURSE, LED THE ALGERIAN DELEGATION THERE) HAD SOME ROLE IN ITS FORMULATION. HE SAID WE SHOULD KEEP EYE ON RECENT OPEC FINANCE MINISTERS' DECISION TO PASS WINDFALL PROFIT FROM SALE OF GOLD ON TO LDC'S AND MSA'S AND ON ATTITUDES DISPLAYED BY 24 AT MANILA AS

INDICATIVE OF MORE SELF-RELIANT TREND AMONG LDC'S.

6 LOUNES WAS MUCH LESS SYMPATHETIC TO OUR EXPOSITION THAN WAS AOUI. HE WENT ON AT GREAT LENGTH ABOUT THE GENERAL PROBLEM OF FINANCING REAL TRANSFERS TO THE LDCS BUT DID NOT DISCUSS DEBT RESCHEDULING IN DETAIL. MAIN BURDEN OF HIS REMARKS WAS THAT DCS MUST "MAKE THE POLITICAL CHOICE" TO CHANGE WORLD ECONOMIC ORDER RADICALLY AND THAT ONCE THIS CHOICE IS MADE, THE TECHNIQUES FOR IMPLEMENTING IT WOULD BE EASY TO WORK OUT. HE SAW THE G-19 DEBT PROPOSALS AS A FIRST STEP TOWARDS THE NEW ORDER, BUT UNDERSTANDINGS ON PRICE LEVELS AND PRICE STABILITY ALSO VITAL. HE SAID THAT A GLOBAL APPROACH TO THE WHOLE FINANCING PROBLEM SHOULD BE MADE AND CLAIMED THAT THE SUCCESS OF THE MARSHALL PLAN WAS DUE TO ITS "GLOBAL APPROACH." HE ALSO CONTENDED THAT DEBT IS THE SUBJECT MOST UNDERSTANDABLE TO THE PEOPLE IN THE LDCS AND THEREFORE TAKES ON A GREAT PSYCHOLOGICAL IMPORTANCE. HE ACCUSED THE DCS OF UNWILLINGNESS TO CONSIDER CHANGE BUT INSISTED THAT CHANGE HAS TO COME IF THE WORLD COMMUNITY IS TO EXPERIENCE "CONCERTATION AU LIEU DE CONFRONTATION" IN MATTERS OF TRADE AND FINANCE. HE ALSO REJECTED THE NOTION THAT A RESCHEDULING BY SOME LDCS AS A RESULT OF AN INTERNATIONAL AGREEMENT WOULD HUR THE CREDIT STANDING OF OTHER LDCS.

7 COMMENT: IT IS CLEAR THAT THE FINANCE MINISTRY WILL BE MORE HELPFUL ON THESE ISSUES THAN THE FOREIGN MINISTRY. PARKER

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